



# Suncorp Group Limited

An introduction  
February 2014

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# Suncorp Group

## Leading financial services brands in Australia and New Zealand

Top 20 ASX listed company

\$16 billion market capitalisation at 19 Feb 2014

\$94 billion in group assets

15,000 employees in Australia and New Zealand

9 million customers

End to end ownership of brands



# Suncorp's shareholder focus

## Simplified, de-risked financial services group

### Yield

- Dividend payout ratio of 60% to 80% and return of surplus capital
- Organic strategy, focused exclusively in Australia and New Zealand
- De-risked and simplified business model



### Growth

- Target 7% to 9% per annum growth across the business lines
- Multi-brand, multi-channel approach leveraging the Group's 9 million customers
- Ability to recycle efficiencies into growth in low risk market segments

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# Suncorp's strategic assets

## Our focus

|                 |   |
|-----------------|---|
| <b>Cost</b>     | <ul style="list-style-type: none"><li>• Deliver cost benefits from third party <b>procured goods / services</b></li><li>• Share <b>scale on infrastructure</b> (real estate, enterprise technology) and <b>non-unique business services</b></li></ul> |
| <b>Customer</b> | <ul style="list-style-type: none"><li>• Increase the value of our <b>9 million customers</b> connections by selling multiple products from all business lines</li></ul>   |
| <b>Capital</b>  | <ul style="list-style-type: none"><li>• Demonstrate a <b>capital diversification</b> benefit</li><li>• A+/A1 credit rating</li></ul>  |
| <b>Culture</b>  | <ul style="list-style-type: none"><li>• Operate as '<b>One Company. Many Brands. One Team</b>'</li></ul>  |

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# Suncorp's strategic priorities

## Relentless execution

### Strategy

- Building Blocks
- Simplification
- Non-core Bank resolution
- NOHC
- Increased reinsurance (Queensland Quota-share and Life Risk)
- Exit from unfavourable markets (Life Group, Farm Insurance, Aviation etc)

### Delivering

- Underlying ITR >12%
- Flat expense base
- De-risked balance sheet
- Increased ordinary dividends
- Capital returns
- Reduced volatility

### Commitments

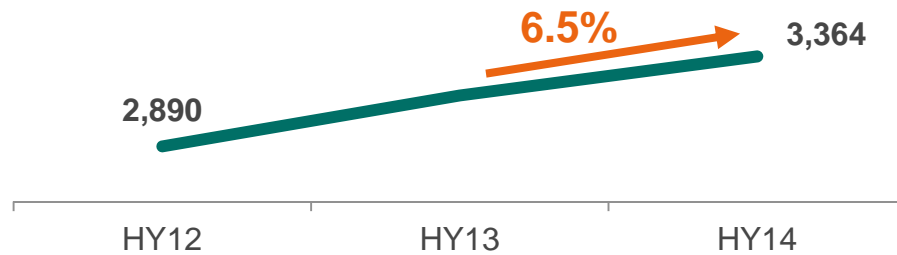
- 10%+ ROE
- Underlying ITR >12%
- Growth 7% to 9%
- \$225 million Simplification benefits
- 60% to 80% dividend payout ratio
- Continue to return surplus capital
- Strategic value of 4C's

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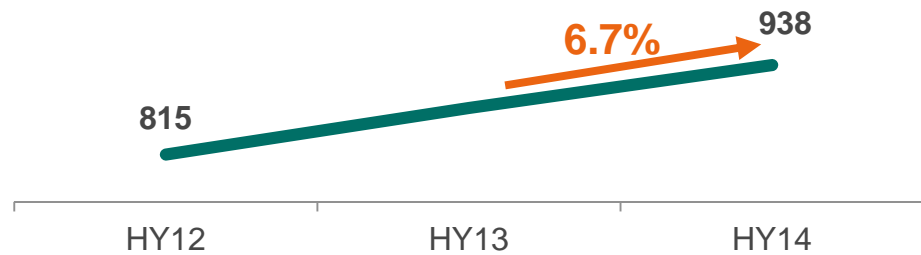
# Top line growth

## Growth across all three business lines (\$m)

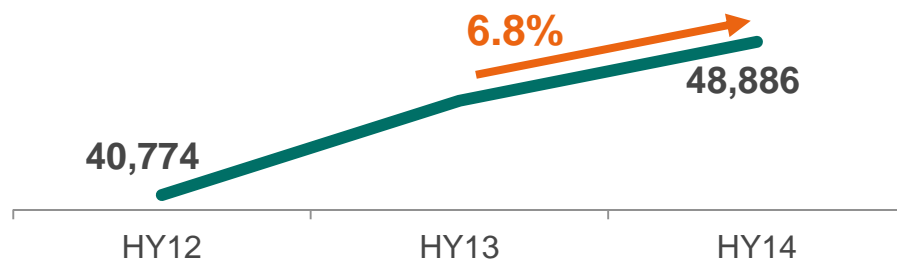
Short tail GWP\*



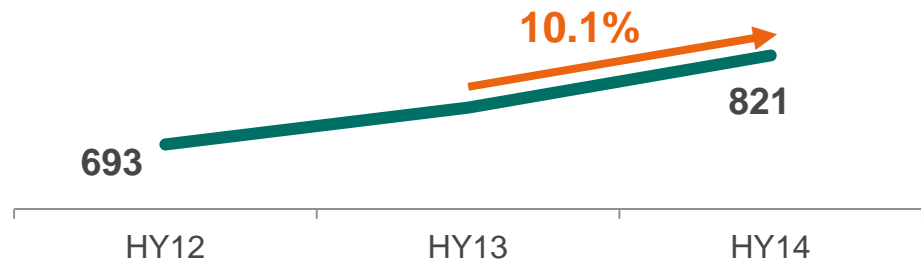
Long tail GWP\*



Retail and business Bank lending



Suncorp Life individual in-force business



# Suncorp Group NPAT (\$m)

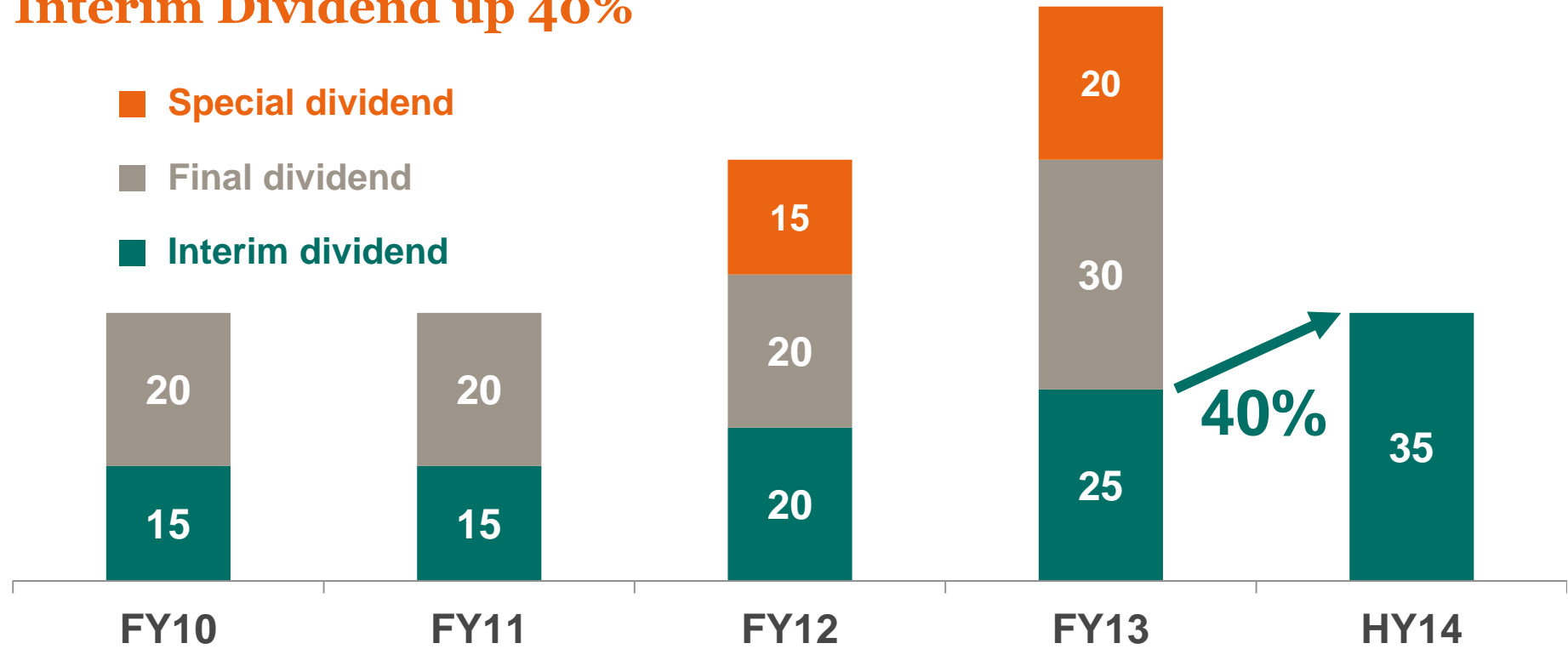
Building Blocks delivering and Non-core resolved



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# Dividend

Interim Dividend up 40%





## HY14 result overview (\$m)

|   | HY14       | HY13       | %Δ         |
|---|------------|------------|------------|
| General Insurance                         | 470        | 564        | (17)       |
| Bank                                      | 105        | 4          | large      |
| Suncorp Life                              | 22         | 51         | (57)       |
| <b>Business line NPAT</b>                 | <b>597</b> | <b>619</b> | <b>(4)</b> |
| Other profit and acquisition amortisation | (49)       | (45)       | 9          |
| <b>NPAT</b>                               | <b>548</b> | <b>574</b> | <b>(5)</b> |

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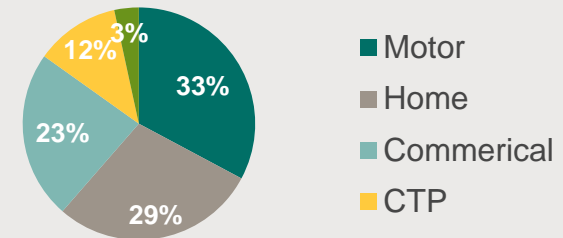
# General Insurance

## HY14 overview

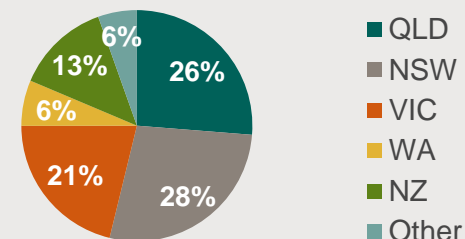
### Summary

- HY14 NPAT \$470 million
- GWP up 6.6% (ex FSL)
- Underlying ITR of 14.0% exceeding commitment to 'meet or beat' 12%
- Reported ITR of 13.9%
- Natural hazard claims \$49 million above allowance
- Reserve releases of \$56 million

### Product split



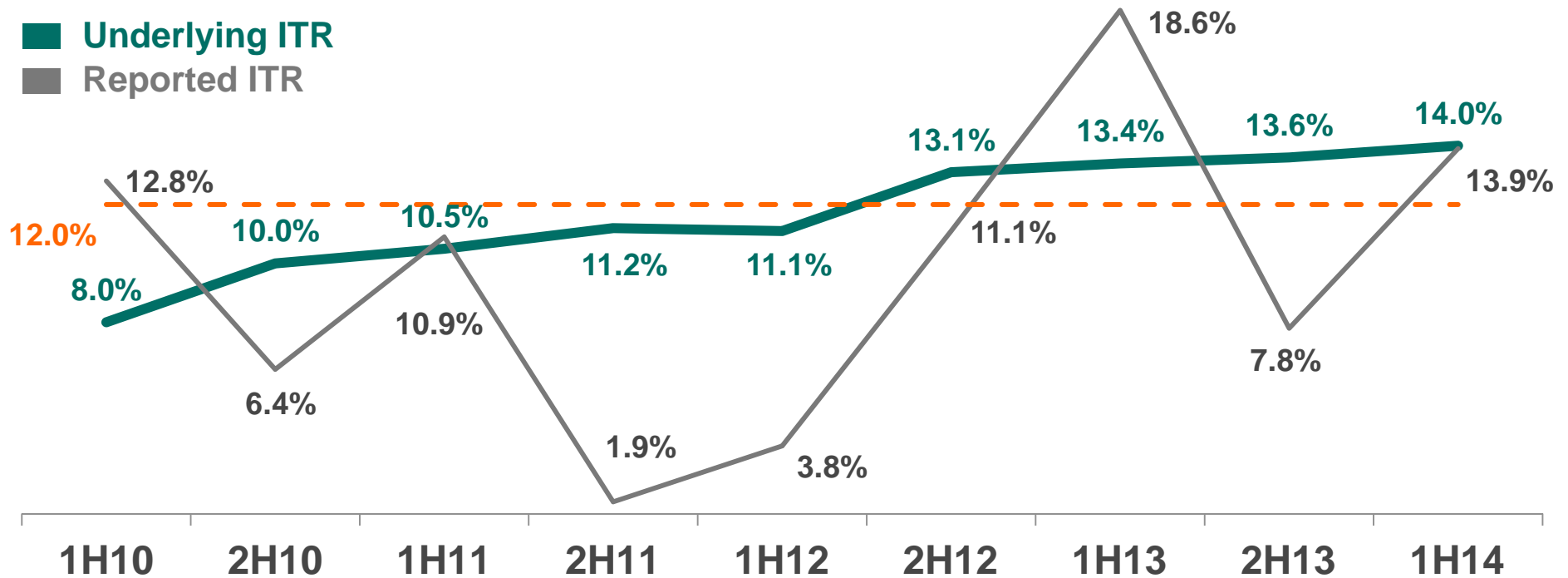
### Geographic split



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# Underlying and Reported ITR

## Building Blocks and Simplification delivering



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# Gross Written Premium

## Up 6.6% excluding Fire Service Levies

| Product               | HY14 (\$m)   | %Δ         | Factors  |
|-----------------------|--------------|------------|--|
| Motor                 | 1,412        | 4.8        | Unit and premium growth in a competitive market      |
| Home                  | 1,230        | 8.9        | Premium increases with some unit reduction in QLD    |
| Commercial            | 1,008        | 6.2        | Growth with continued underwriting discipline        |
| CTP                   | 505          | 8.1        | Strong growth in NSW and ACT                         |
| Workers' comp & other | 147          | 1.4        | Price increases, new business and improved retention |
| <b>Total</b>          | <b>4,302</b> | <b>6.6</b> |  |
| Australia             | 3,734        | 4.5        |  |
| New Zealand           | 568          | 22.4       | 9.0% in NZ\$ terms                                   |

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# Personal Insurance brands

Differentiated offerings, preserving core elements of each brand

**AAMI**

**Lead national brand:**

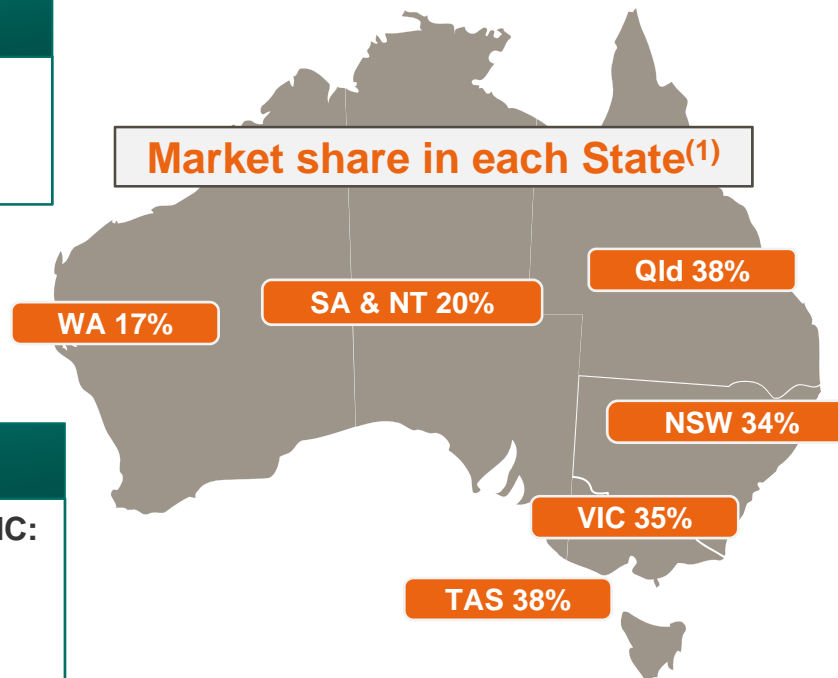
- Eliminating stress
- Competitive price positions

**GIO**

**State based brand in NSW and VIC:**

- Providing certainty
- Service excellence and more comprehensive cover

**Market share in each State<sup>(1)</sup>**



**SUNCORP**  
Insurance

**Suncorp Insurance:**

- Providing insurance to Queenslanders
- Strong community connections

**Apia**

**National life stage brand:**

- Rewarding experience
- Delivering service excellence
- Protecting what matters to Australia's Over 50s

**Suncorp Group Limited**

19 February 2014

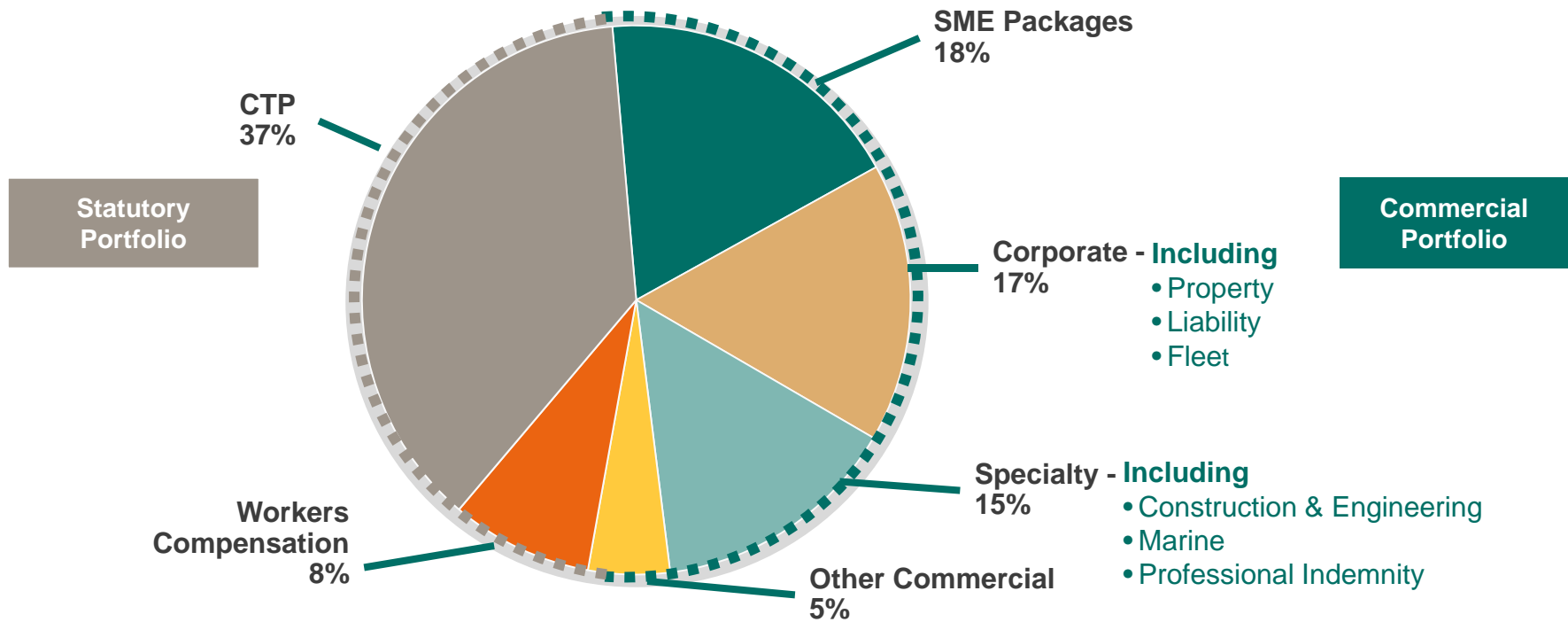
<sup>(1)</sup> Roy Morgan market share (June 2013)

One Company  
Many Brands

**SUNCORP**  
GROUP

# Commercial Insurance: products overview

GWP \$2.7 billion



# New Zealand General Insurance

Second largest with 23% market share

## Intermediated



- 18% share of total market GWP
- 1<sup>st</sup> or 2<sup>nd</sup> largest in most classes
- Leader in broker channels

## Direct



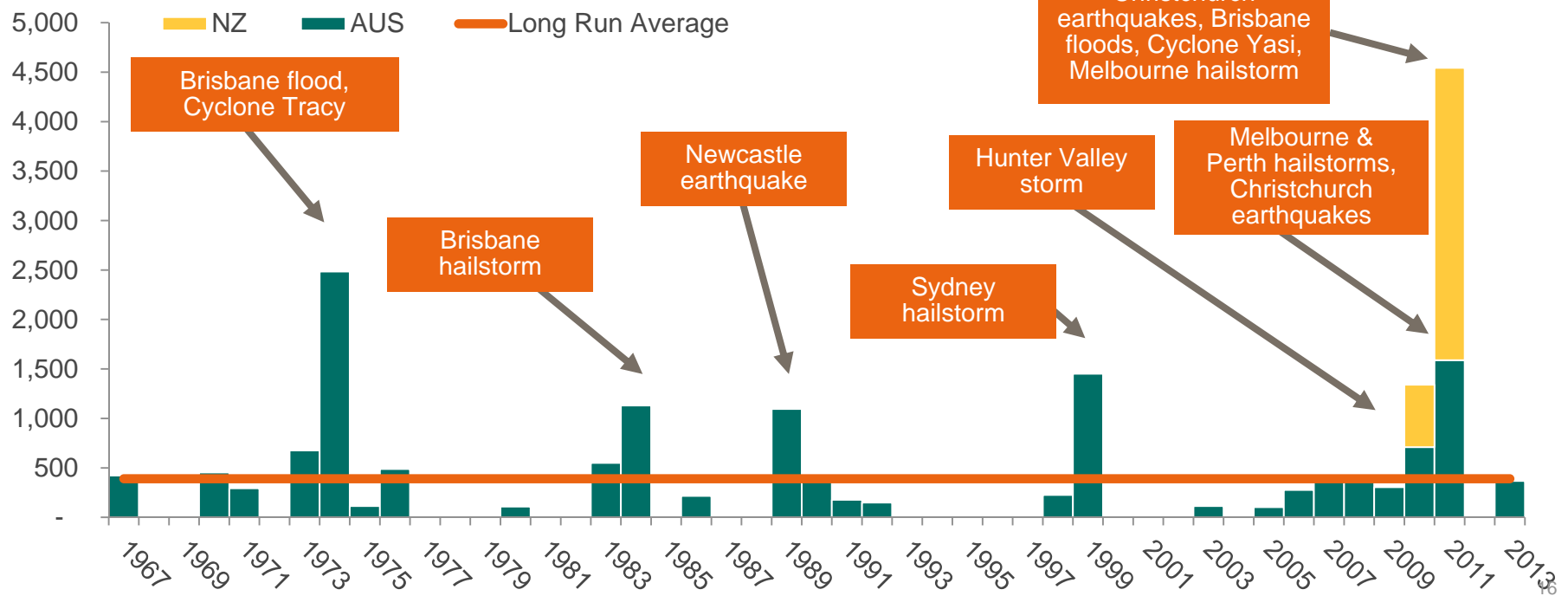
- 5% share of total market GWP
- 2<sup>nd</sup> largest direct player
- Strong growth in motor insurance

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# Natural hazards since 1967

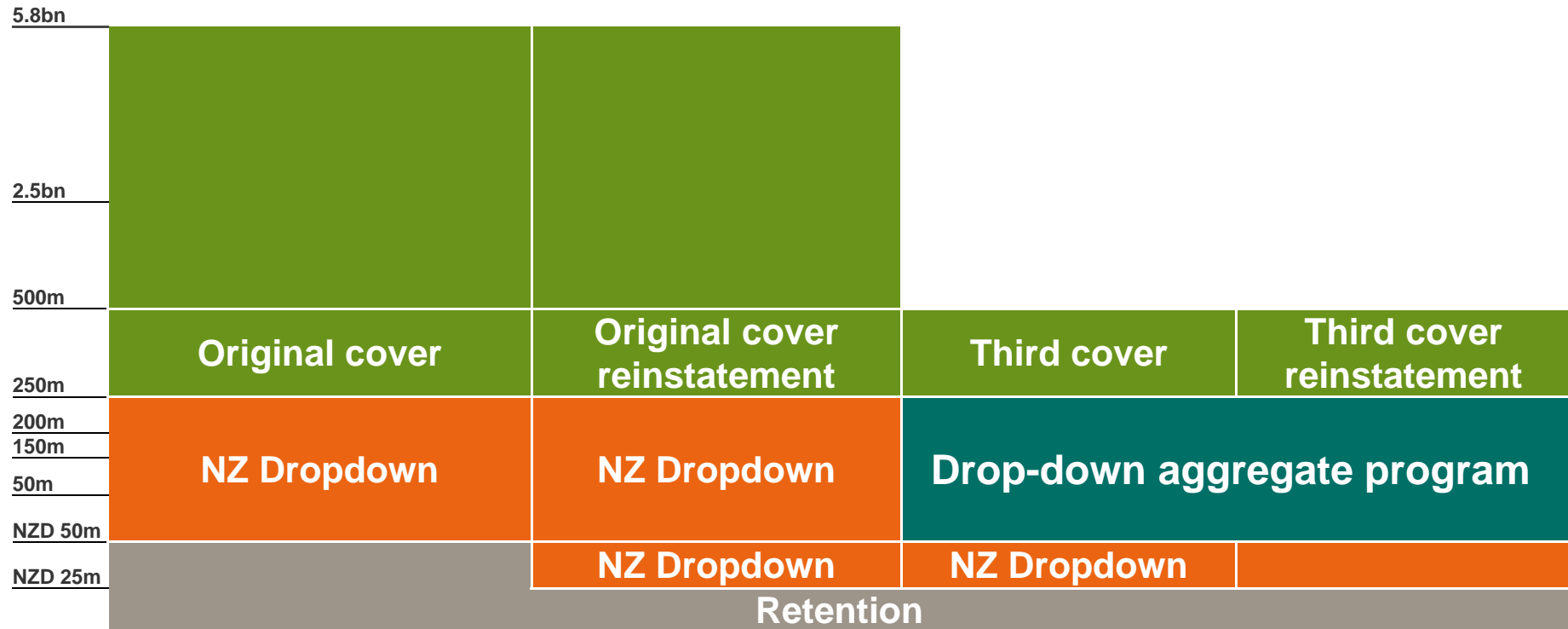
## Suncorp long-term catastrophic loss experience

Events greater than \$100m, gross of all reinsurance





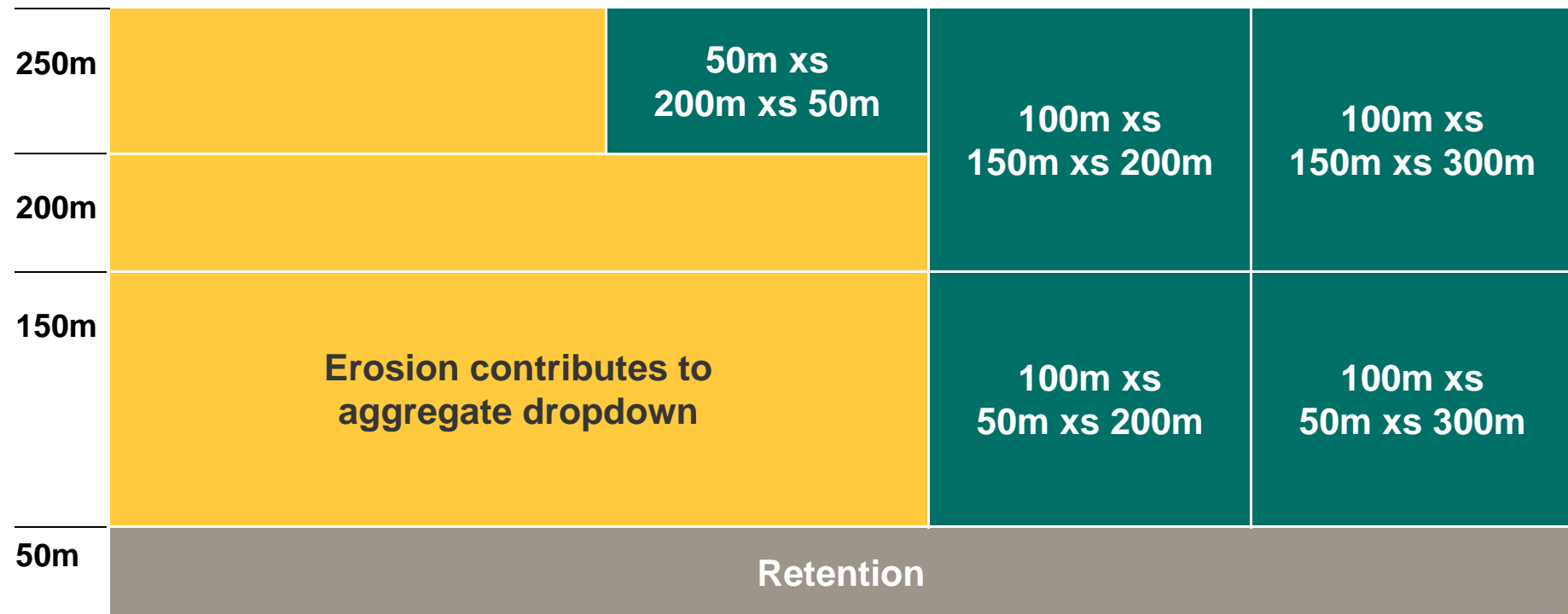
# FY14 Reinsurance program



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# FY14 Reinsurance program

## Drop-down aggregate program

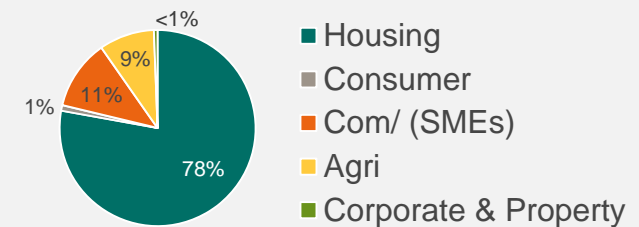


# Suncorp Bank overview

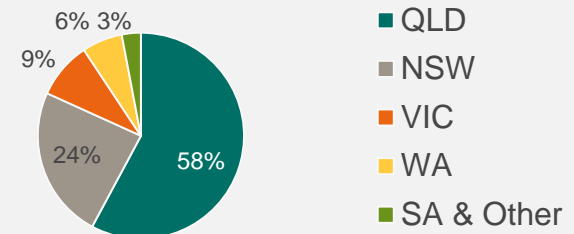
## Summary

- Bank NPAT \$105 million
- Home lending up 6.5%
- Agribusiness up 11.0%
- NIM of 1.66%
- Operating expenses reduced \$11 million
- Retail deposit to core lending ratio 65.7%
- Impairment losses \$45 million -18bps of Impairments to Gross loans
- Residual Corporate and Property outstanding balance \$298 million

## Lending assets \$49.2 billion



## Lending assets by geography



# Suncorp Bank targets

## Sustainable growth over the medium term

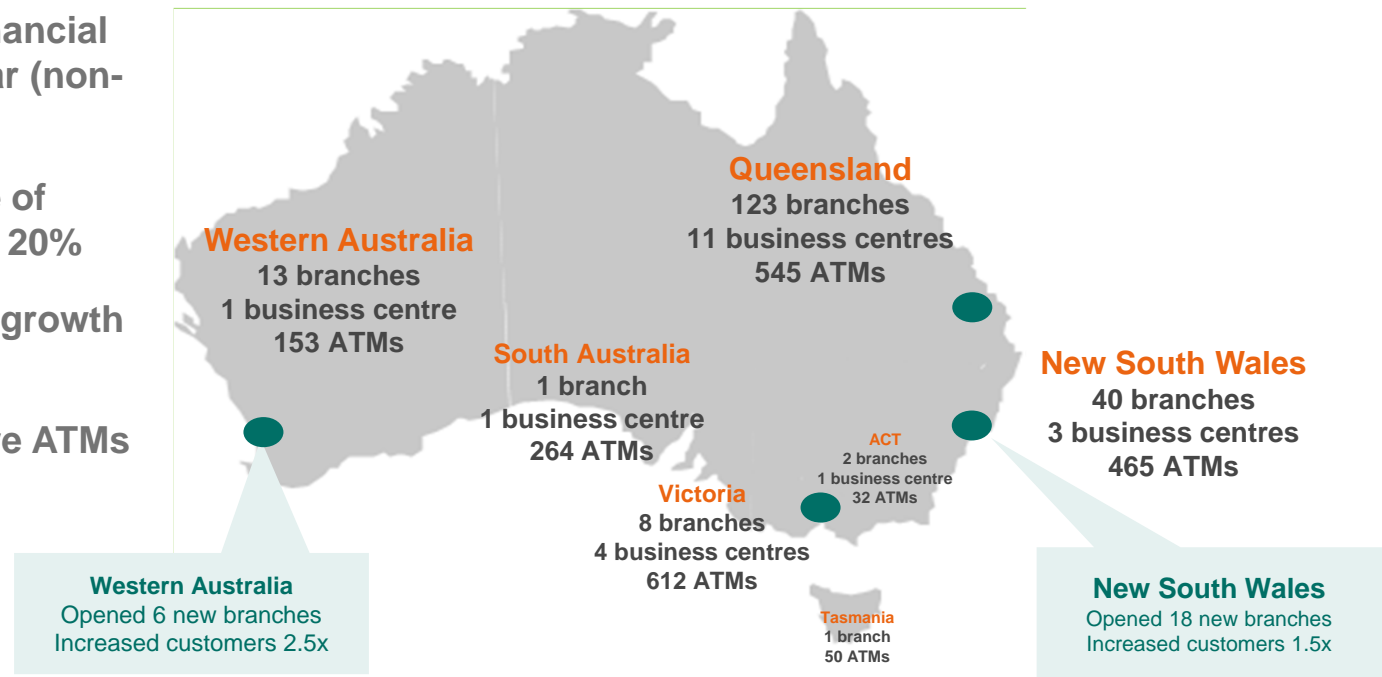
|                                |               |
|--------------------------------|---------------|
| Lending growth                 | 7% – 10%      |
| Net Interest Margin            | 175 – 185bps  |
| Deposit to lending ratio       | 60% – 70%     |
| Cost to income ratio           | Less than 50% |
| Return on Common Equity Tier 1 | 12% – 15%     |

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# Suncorp Bank

## Australia's leading regional bank

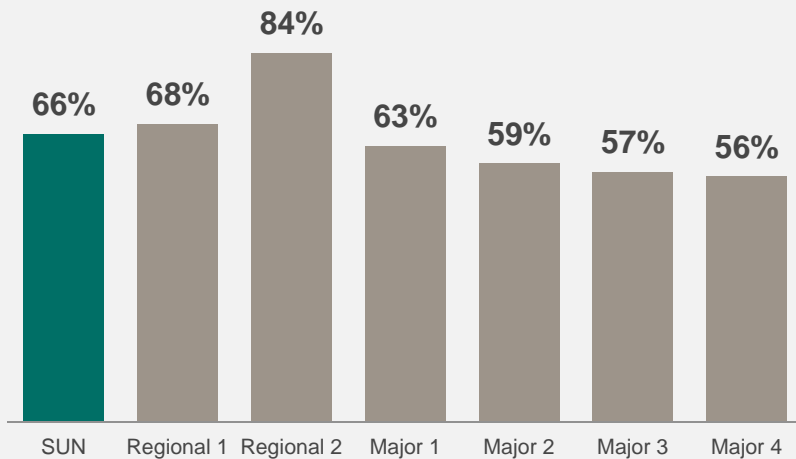
- AB&F Australian Financial Institution of the year (non-major)
- Total customer base of 1,079,000, growth of 20%
- Complete customer growth of 35%
- Access to 1,121 more ATMs



# Funding and Liquidity

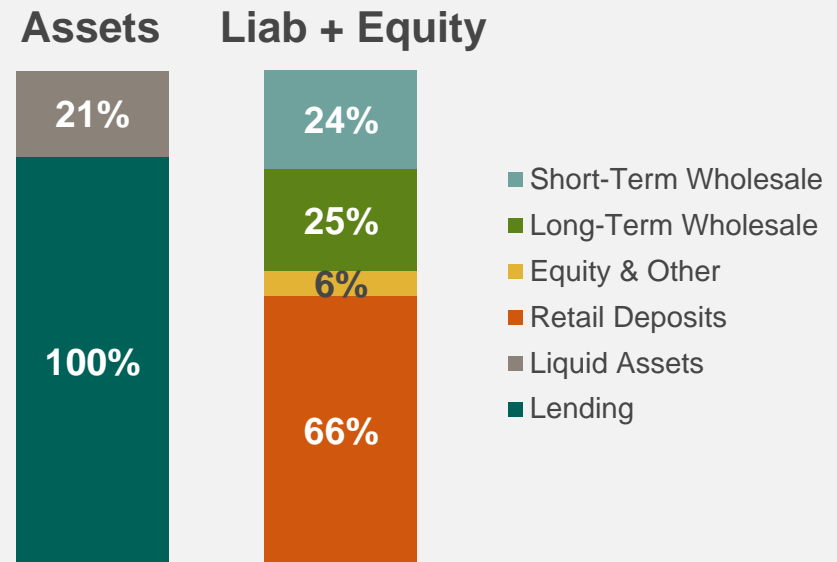
## Conservative balance sheet

### Deposit to loan ratio



Source: Company reports for financial year 2013  
Regional bank data is reported group ratios and majors data retail and business division only

### Balance sheet components

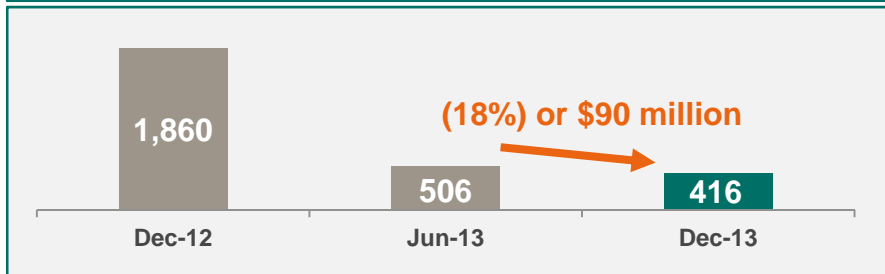


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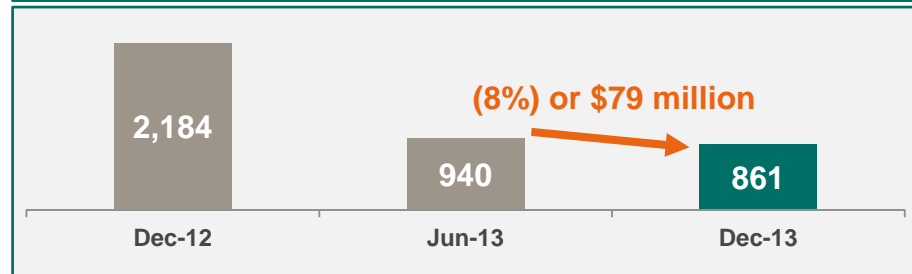
# Credit quality

## Reduced impaired assets and non-performing loans

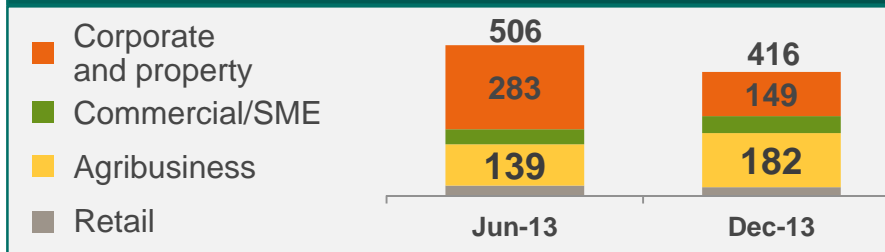
### Gross impaired assets



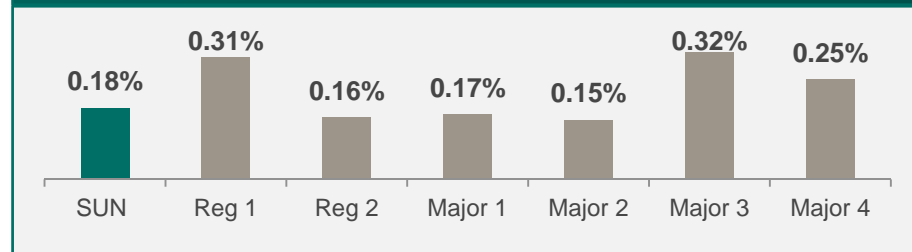
### Non-performing loans



### Impaired assets by segment



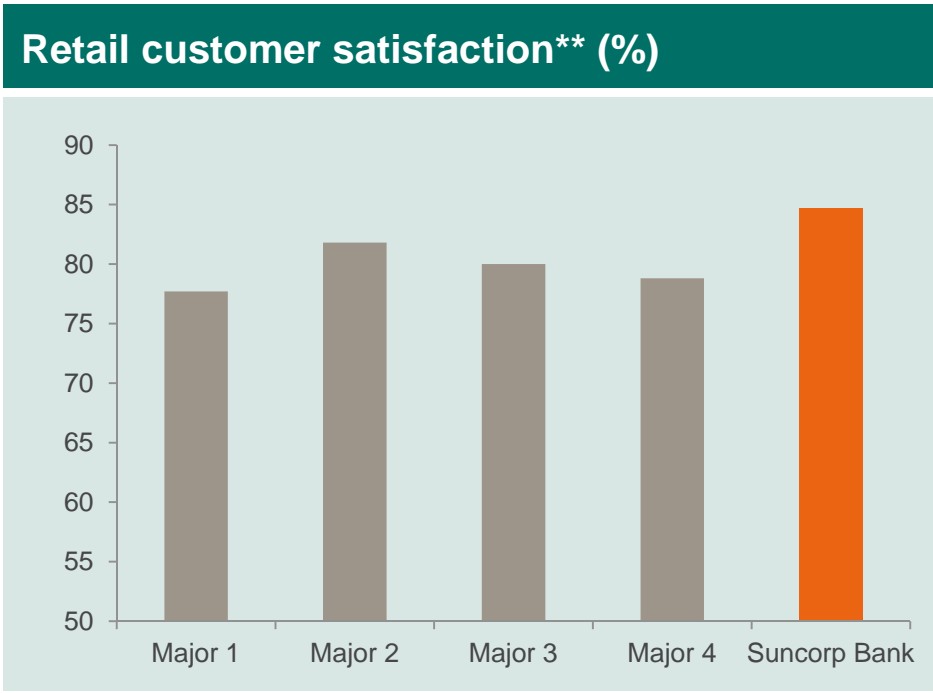
### Impairment losses to gross loans



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# Suncorp Bank

## Excellent customer satisfaction





# Suncorp Life overview

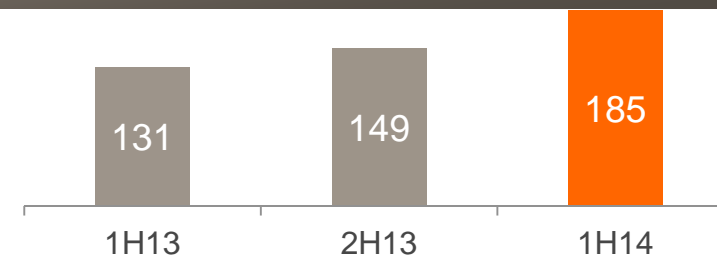
## Summary

- Suncorp Life NPAT \$22 million
- Underlying profit after tax \$41 million
- Reduction in planned margins reflects strengthened assumptions and additional reinsurance
- Increased reinsurance contributed to \$535 million of capital returned to the Group
- Disability claims experience negative \$10 million, Lapse experience negative \$17 million
- Life Risk inforce annual premiums up 10.8%
- Direct new business sales up 6.3%
- Super business up 41% driven by Everyday Super
- New Zealand business performed strongly

## Life Risk in-force annual premium (\$m)



## Superannuation (\$m)

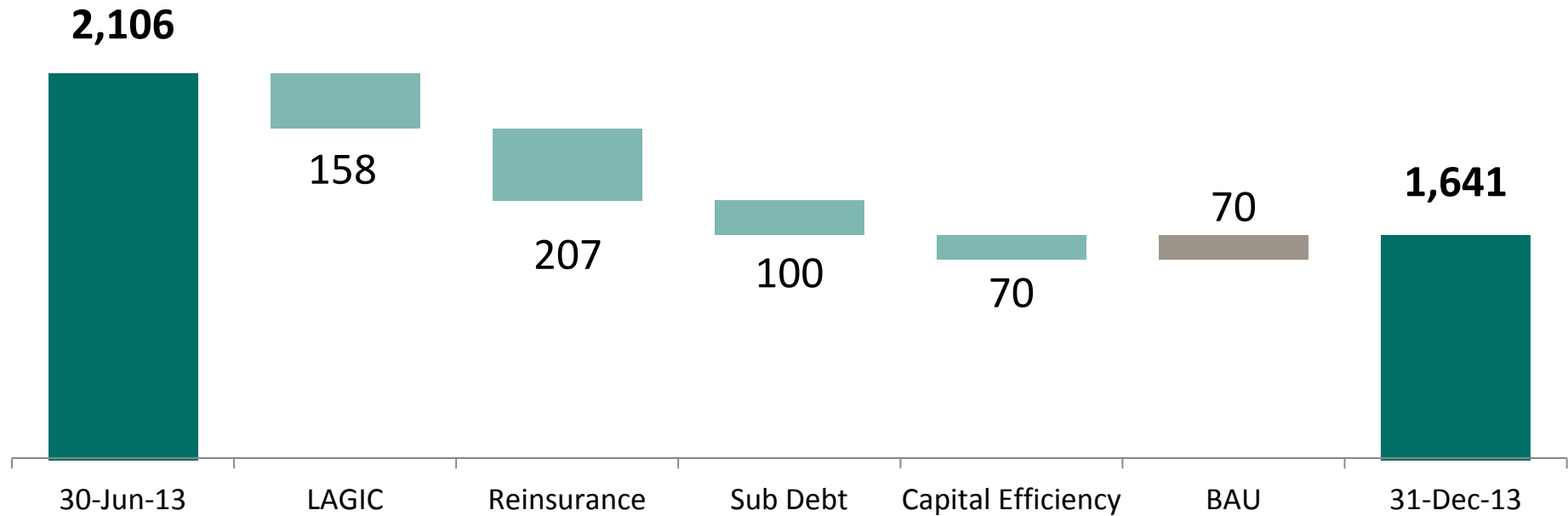


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# Suncorp Life capital

## Contributing to the Group's surplus

Capital Movements (\$m)



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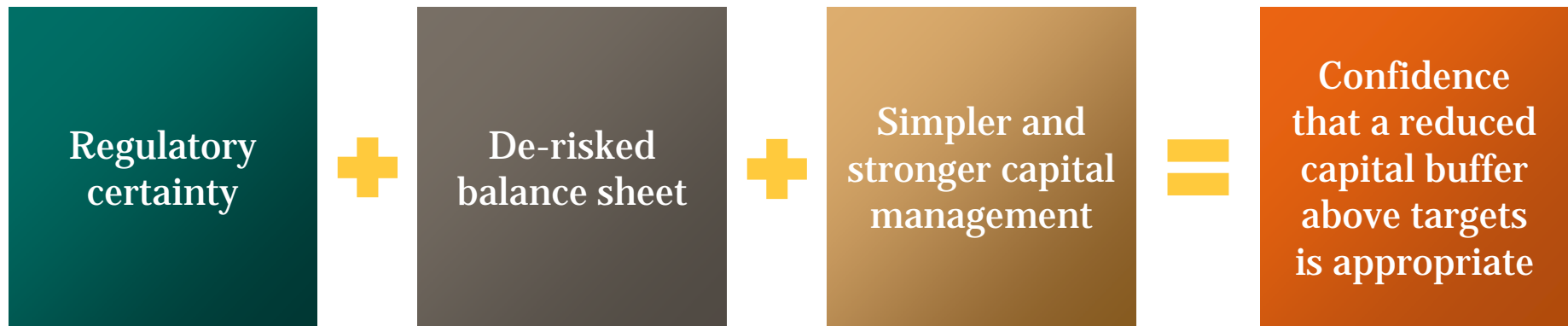
# Suncorp Life

## Structural challenges, significant opportunities



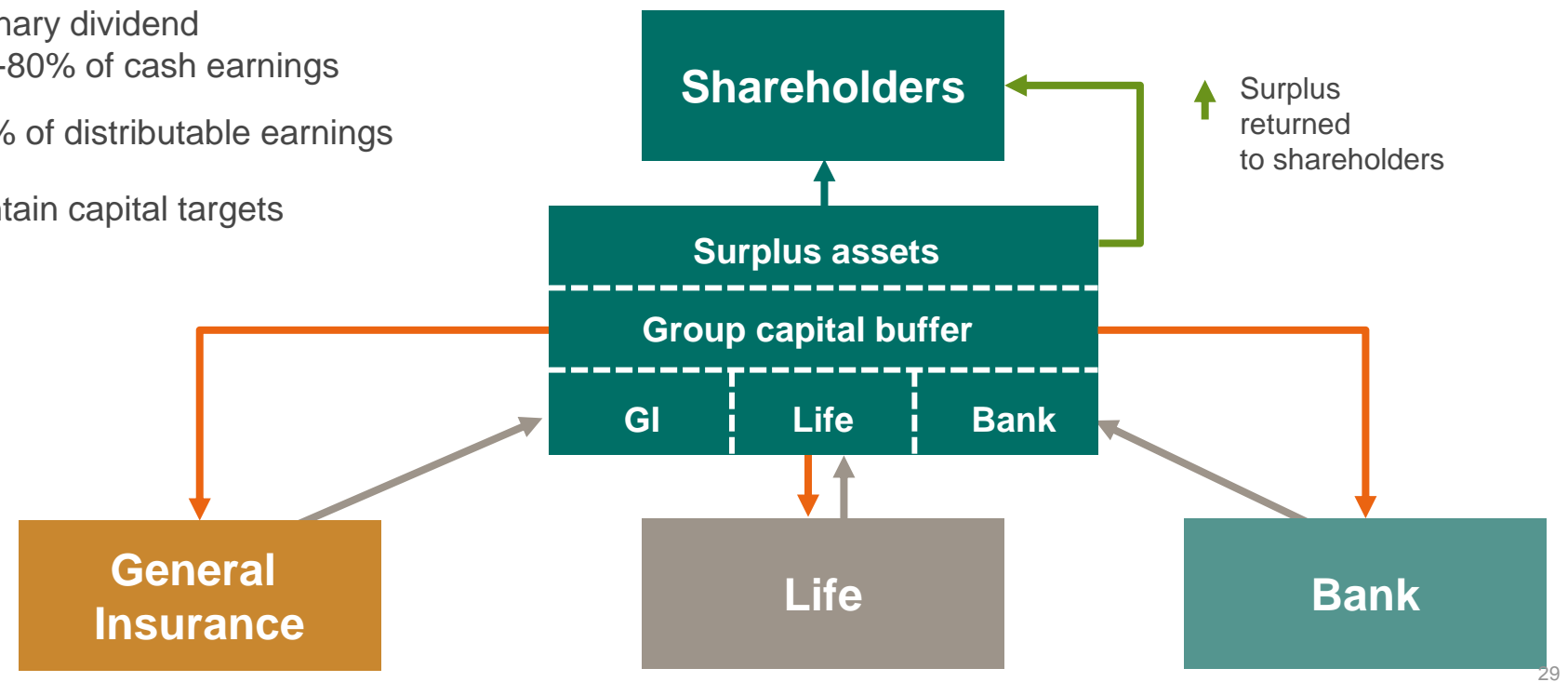
# Capital management

## Strength and clarity



# Capital management

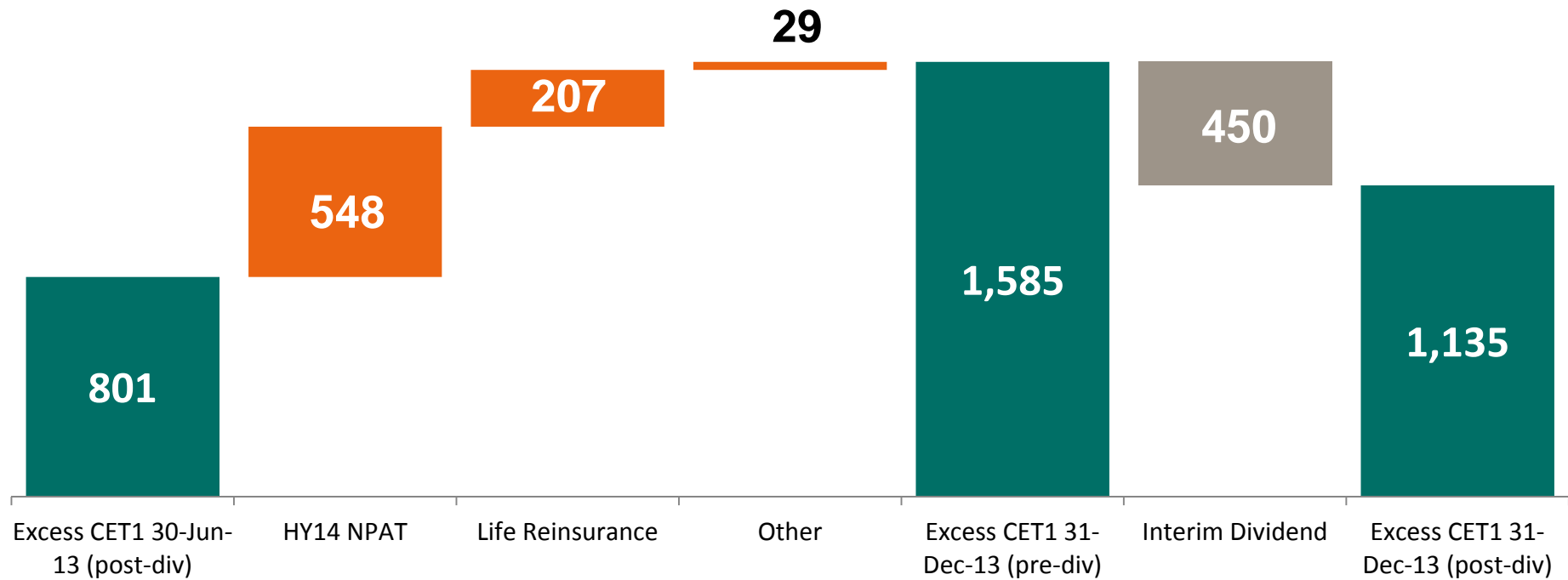
- ↑ Ordinary dividend – 60-80% of cash earnings
- ↑ 100% of distributable earnings
- ↓ Maintain capital targets



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# HY14 capital movements (\$m)

CET1 excess over \$1.1 billion



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# Suncorp Group Capital

**\$1,135 million excess to CET1 targets post dividend**

| A\$m                     | General Insurance | Bank      | Life  | NOHC and other entities | Suncorp Group Total |
|--------------------------|-------------------|-----------|---|-------------------------|---------------------|
| CET1                     | 3,532             | 2,535     | 517   | 402                     | 6,986               |
| CET1 Target              | 2,348             | 2,458     | 404   | 191                     | 5,401               |
| <b>Excess (pre-div)</b>  | <b>1,184</b>      | <b>77</b> | <b>113</b>                                      | <b>211</b>              | <b>1,585</b>        |
| Dividend                 |                   |           |   |                         | (450)               |
| <b>Excess (post-div)</b> |                   |           |   |                         | <b>1,135</b>        |
| CET1 ratios              | 1.65x             | 8.25%     | 1.65x   |                         |                     |
| CET1 Targets             | 1.10x             | 8%        | Amount equal to sum of PCA plus a target excess |                         |                     |

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# Outlook

## Focus for the remainder of 2014

### General Insurance

- 'Meet or beat' 12% underlying ITR
- Balance margin and growth
- Capitalise on any market disruption from market consolidation

### Bank

- Growth 1 to 1.3 times system
- NIM heading back to target range of 1.75% to 1.85%
- Cost to income heading back to target range for FY15

### Life

- Focus on direct distribution and Everyday Super
- Manage lapse and claims challenges
- Driving industry structural reforms

### Capital

- Dividend payout ratio range 60% to 80% of cash earnings
- Commitment to return surplus capital

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# Suncorp Group

## Key commitments

|          |   |
|----------|---|
| <b>1</b> | Group growth of 7% to 9% per annum over the next two years          |
| <b>2</b> | Simplification benefits of \$225 million in the 2015 financial year |
| <b>3</b> | 'Meet or beat' an underlying ITR of 12% through the cycle           |
| <b>4</b> | 60% to 80% dividend payout ratio                                    |
| <b>5</b> | Continue to return surplus capital                                  |
| <b>6</b> | <b>Group ROE of at least 10% in the 2015 financial year</b>         |

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# Australian economy



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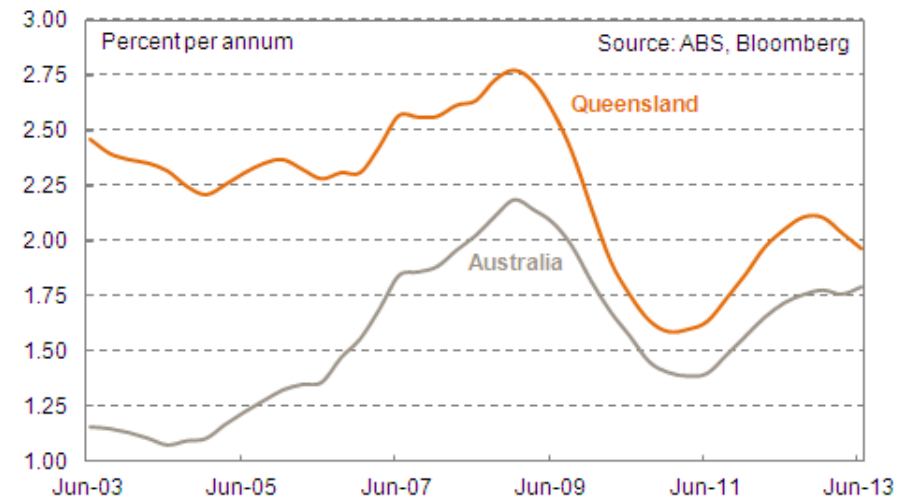
# Economic fundamentals are favourable

## Economic aggregates

|                                       | Australia                    | Queensland                  | Data as at:               |
|---------------------------------------|------------------------------|-----------------------------|---------------------------|
| Population                            | 23.0m                        | 4.6m                        | Mar-13                    |
| Annual Population Growth              | 1.8%                         | 2.0%                        | As above                  |
| Unemployment Rate                     | 5.6%                         | 5.9%                        | Sep-13                    |
| Inflation                             | 2.2%                         | 2.2%                        | Sep-13                    |
| Annual Gross Domestic / State Product | \$1,512bn                    | \$286bn                     | GDP 2012/13, GSP 2012/13e |
| Annual Growth in Real GDP/GSP         | 2.8%                         | 2.7%                        | GDP 2012/13, GSP 2012/13e |
| Budget Position                       | \$18bn deficit (1.2% of GDP) | \$9bn deficit (3.1% of GSP) | 2012/13                   |
| Credit Rating (S&P/Moody's)           | AAA / Aaa                    | AA+ / Aa1                   | Nov-13                    |

- Budget position is improving
- One of only 13 sovereigns with a AAA S&P rating

## Population growth

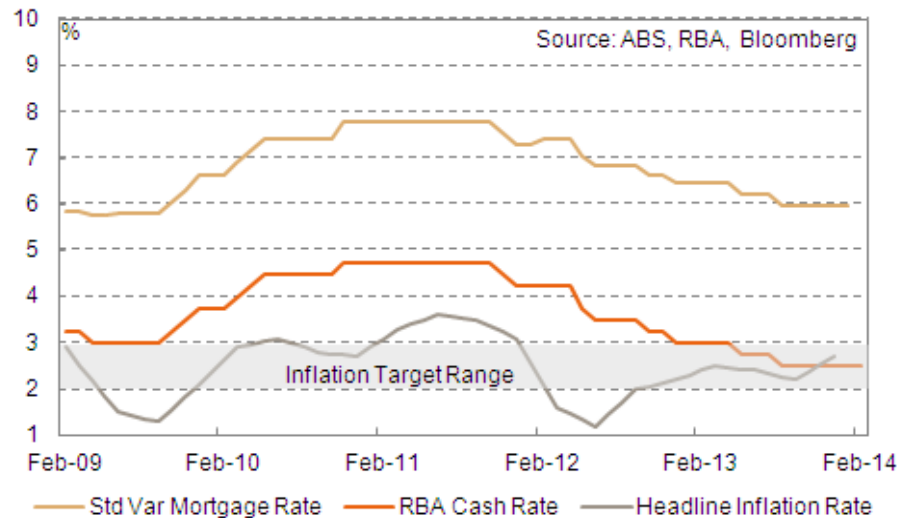


- National population growth accelerating, helped by immigration
- Queensland is above national average, assisted by interstate migration

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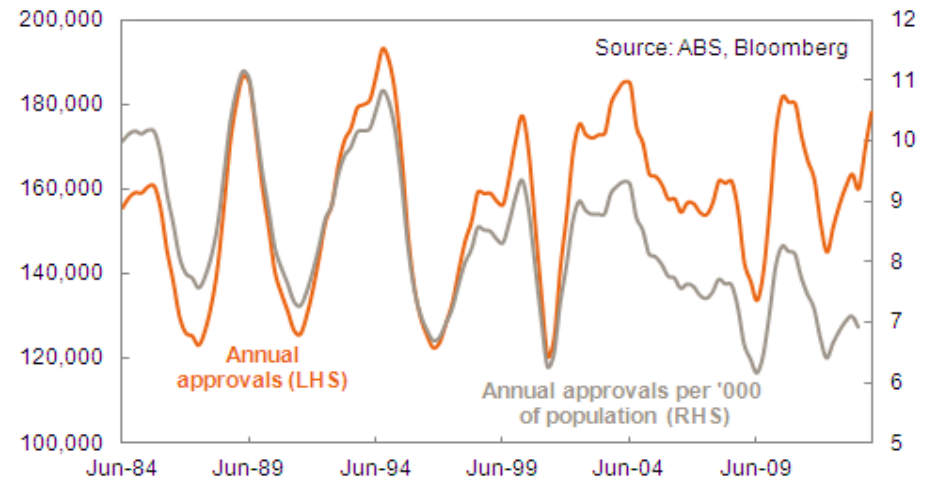
# Monetary policy is supportive of growth

## Inflation & interest rates



- RBA has lowered the cash rate 8 times since 2011
- Further cuts unlikely as global macro improves

## Building activity now improving

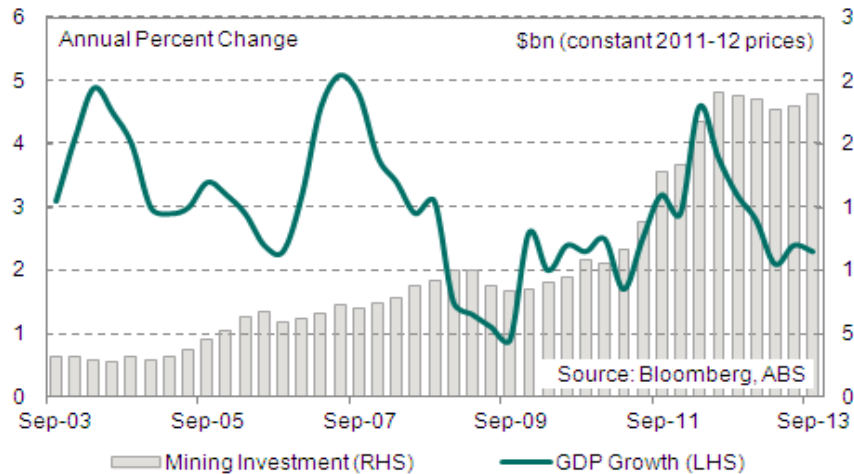


- Low rates are stimulating building activity
- The recovery looks sustainable and should help the economy rebalance as mining slows

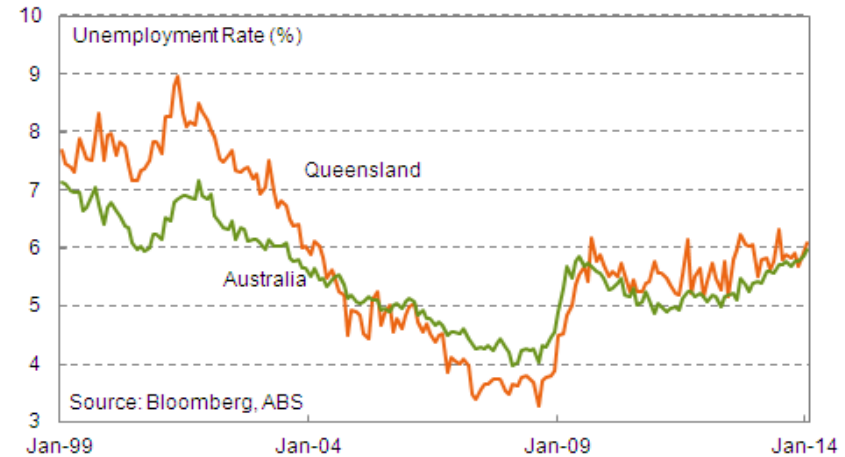
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# Domestic activity: GDP and resources

## GDP growth and mining capex Unemployment rate



- GDP growth slowed through 2012-13 as mining investment has peaked
- Despite the slowdown, GDP expanded by 2.8% in 2012-13

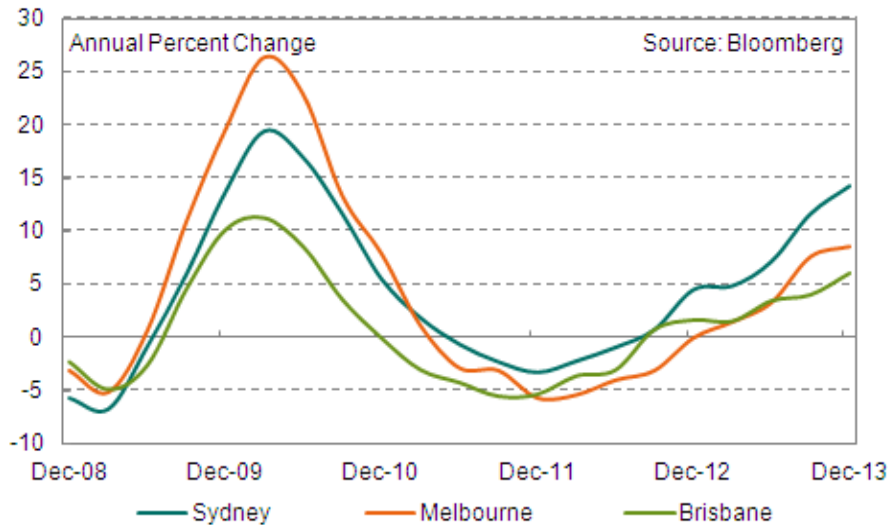


- Slower GDP growth has seen unemployment drift higher
- However unemployment remains low by international and historic standards
- Queensland is slightly worse than average

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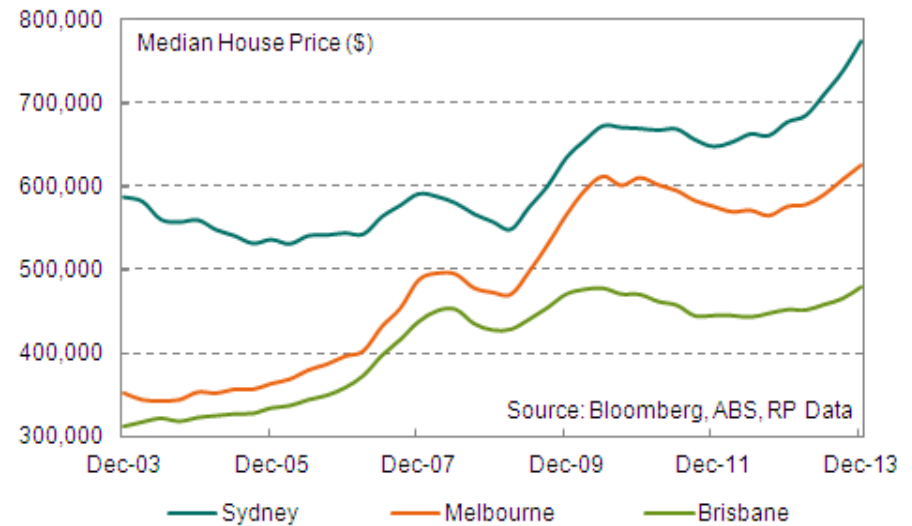
# Domestic activity: accelerating house prices

## Recent house price growth



- Low rates have led to a solid increase in house prices over the past 12 months

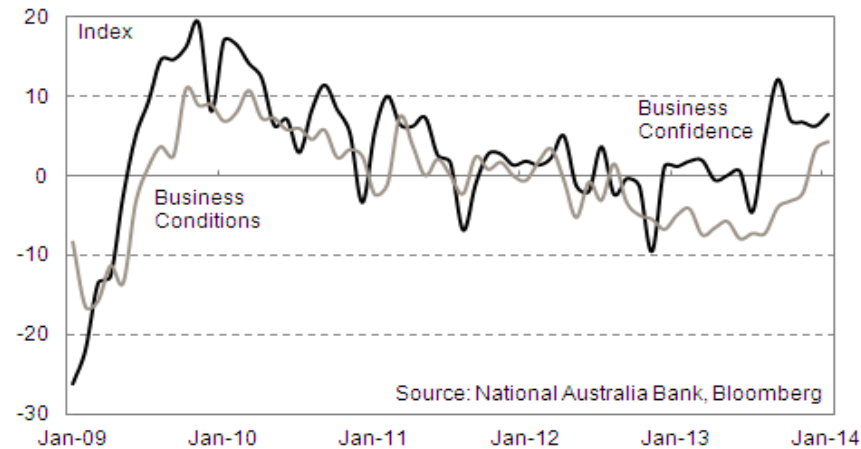
## Longer term price series



- Brisbane house prices have underperformed since the GFC but are once again rising

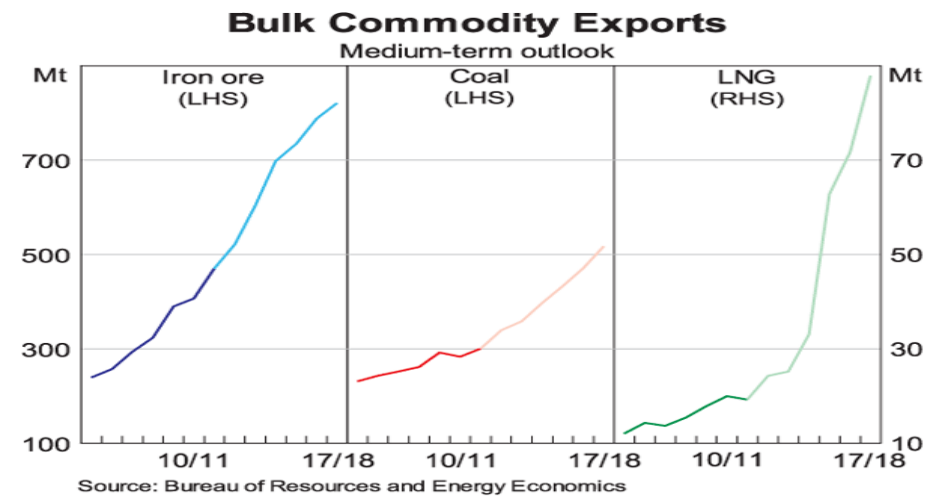
# Domestic activity: business activity and exports

## Business surveys



- Business conditions were impacted in 2012-13 by macro factors including slowing mining capex, strong AUD, China concerns and Federal politics
- However in recent months there has been a jump in business confidence.

## Resource exports

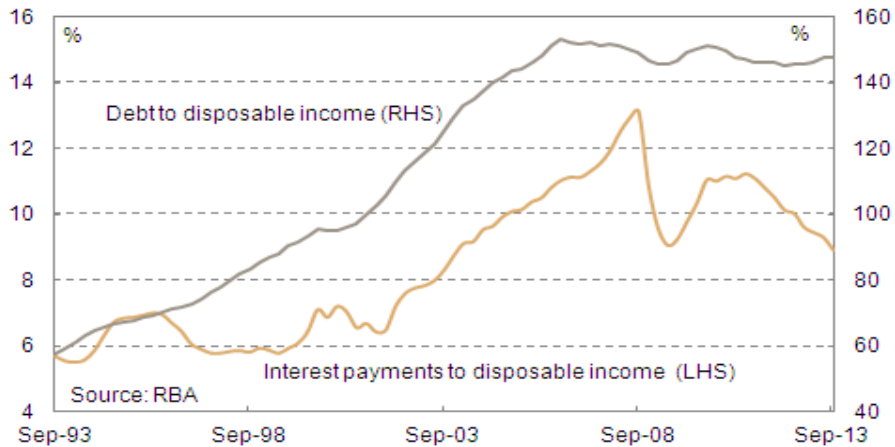


- Although mining capital expenditure is likely to ease further as newly constructed projects come on stream, Australia's resource export volumes will grow strongly

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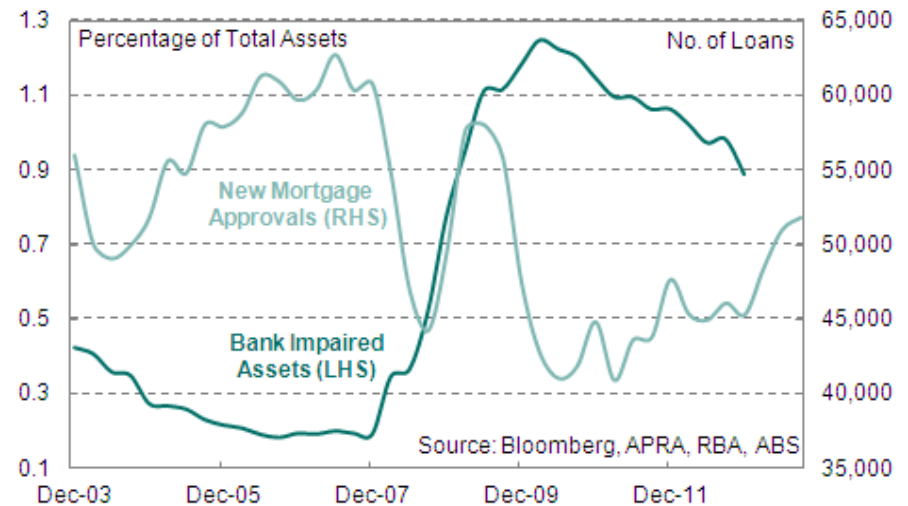
# Household financial conditions

## Debt and debt servicing



- Household debt has stabilised while the RBA observes, in relation to households, that *“indicators of financial stress are generally low”*
- Meanwhile, lower interest rates (shown right) have reduced the debt servicing burden

## Inflation & interest rates



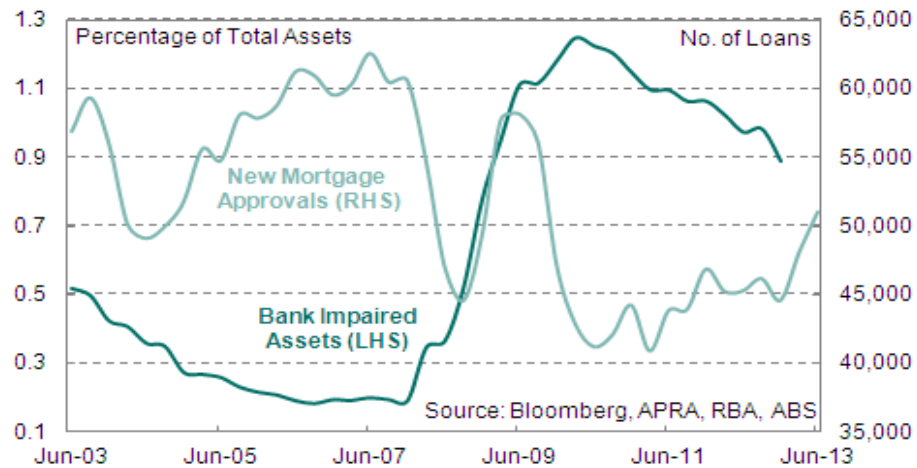
- Despite a widening of the margin to the official cash rate, mortgage rates currently stand near the long term low experienced during the GFC

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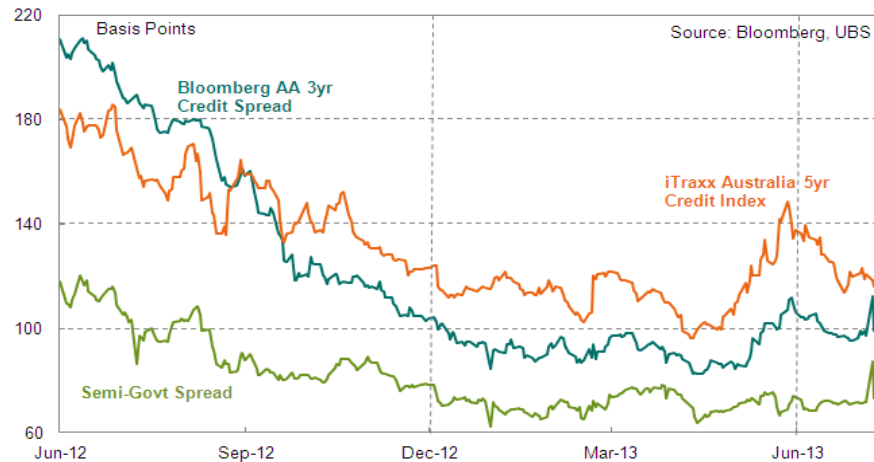
# Credit environment

## Bank and lending indicators



- The banking backdrop continues to improve, with non-performing loans falling
- At the same time, home lending is clearly in an upswing

## Credit spreads have narrowed

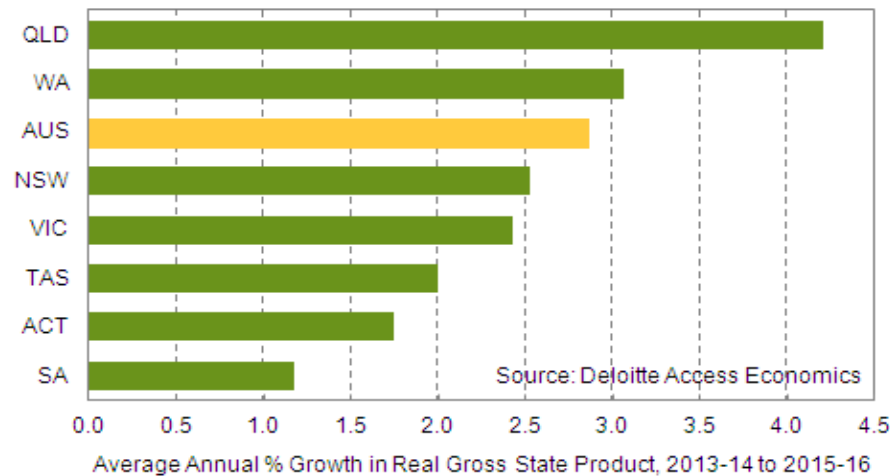


- Diminished risk aversion plus the sound domestic environment has enabled a narrowing of corporate credit spreads
- Spreads on State and Territory bonds have also narrowed

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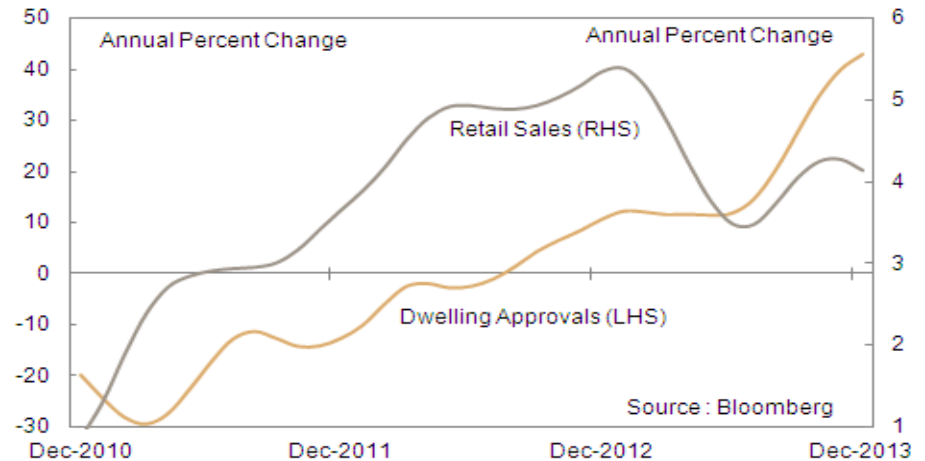
# Queensland prospects

## State economic growth



- Queensland is forecast to outperform over the next 3 years, with economic growth of 4.0%, compared to the national rate of 2.7%
- Ongoing resource development, population growth and improved housing activity will contribute

## Job growth & dwelling approvals

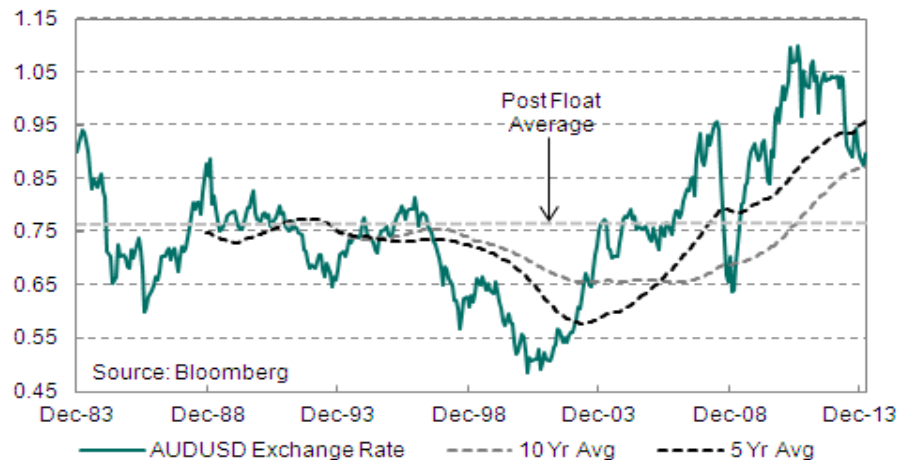


- Queensland employment and dwelling approvals are now trending higher
- In the coming months, this will benefit broader economic activity

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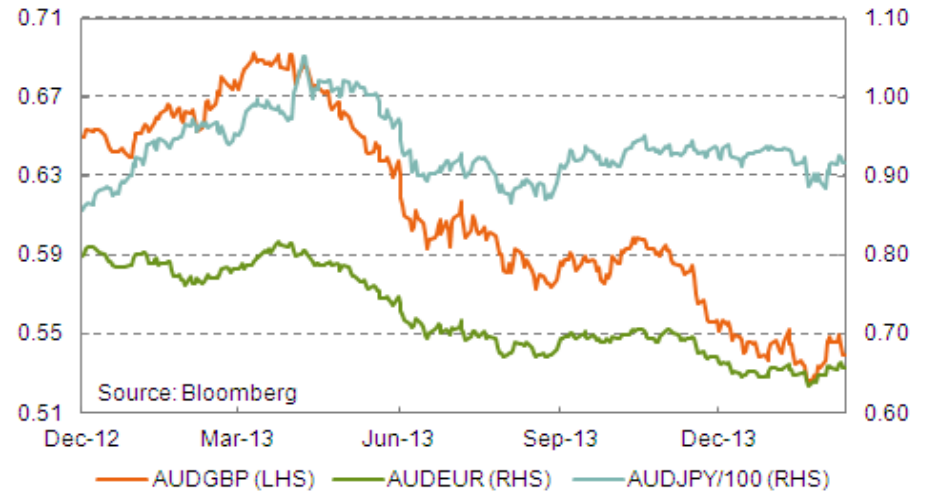
# International environment: exchange rates

## AUDUSD long term



- The AUD has been a beneficiary of both structural and cyclical influences in recent years.
- The recent pullback brings it back into line with the 5 year averages, which can be considered an indicator of fair value.

## AUD versus other majors



- During 2013, Australia's competitiveness improved against the GBP and particularly the EUR. Not versus the JPY, however.

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# Important disclaimer

This report contains general information which is current as at 19 February 2014. It is information given in summary form and does not purport to be complete.

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This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

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